The following material was inadvertently omitted by the printer from the original bound volumes of the Joint Appendix in the Court of Appeals. It was printed as an appendix (pp. 176-182) to the NLRB's Brief to the Court of Appeals.

APPENDIX

The printer inadvertently omitted from the joint appendix the following portions of General Counsel's Exhibit N 1. The remainder of the exhibit appears at J.A. 1677.

DATE: November 14, 1956

TO:

Mr. C. E. Anderson	Mr. T. E. Peden
Mr. George Aship	Mr. I. S. Pitts, Jr.
Mr. J. M. Bailey	Mr. H. L. Pratt
Mr. D. I. Beal	Mr. H. B. Risher
Mr. S. J. Craig, Jr.	Mr. J. V. Roberts
Mr. E. O. DeFore	Mr. G. G. Simmons
Mr. L. C. Ellis	Mr. F. A. Thompson
Mr. J. A. Ferguson	Mr. W. E. Thrailkill
Mr. L. J. Fisher, Jr.	Mr. M. G. Wallace
Mr. Winston Garth	
Mr. C. T. Holland	Mr. R. H. Bush
Mr. J. M. Jackson	Mr. H. C. Byrd
Mr. W. S. Manning	Mr. Harry Defore
Mr. J. A. Meehan	Mr. K. M. Lowry
Mr. W. H. Moore	Mr. R. B. Newton
Mr. J. J. Norton, Jr.	Mr. S. L. Smith
Mr. R. C. Owings	Mr. T. D. Truluck

FROM: Roger Milliken

Attached hereto is an article from the November eighth issue of AMERICA'S TEXTILE REPORTER. I am sending it to you in case you have not had an opportunity to see it. It is apparent from this article that this magazine made a real investigation in Darlington, and for that reason, I think the article is interesting.

While this article shows that the union leaders definitely misled the people, it also points out that the mill was negligent in its public relations. I hope that you will read this second part of the article care-

fully and review in your mind the steps that you are taking to bring about an understanding of your mill and its problems in your community. The unions are going to be making a tremendous drive all through this area, and there are few things that are more important to us than making sure that the leaders in your community understand and are sympathetic to what you are trying to do.

Enclosure

cc: Mr. A. B. Sibley
Mr. W. A. Sibley
Mr. M. C. Stone

DARLINGTON SITUATION BECOMES OBJECT LESSON TO ALL CONCERNED

Present Stepped-Up Union Activity in South Harbinger of Stronger Efforts and More Exaggerated Promises To Come

The Darlington (S.C.) Mill affair is becoming a tangled mess. And the question most frequently asked in textile circles, how does a community of 500 mill workers who admitted satisfaction with their wages, work loads and working conditions in a well equipped mill, suddenly elect to place their future in the hands of strangers representing the Textile Workers Union of America?

Hundreds of answers have been forthcoming from Darlington during the past few weeks since an NLRB election was won by the union by a slim margin of eight votes; 256 for the union and 248 against.

In order to sift the charges and counter-charges of management and labor and the workers themselves, a Reporter editor visited the town of Darlington and interviewed the Mayor, Chamber of Commerce, Sec-

retary, bankers, gas station operators, hotel managers and several of the workers from the mill.

The picture proved a confusing one, but the pattern and the reasons for the worker's unfortunate choice, become more apparent as the workers themselves repeated over and over that they did not want the union, they were satisfied with their jobs and the pay, but many voted in favor of it because the organizers threatened their future.

As it stands now, the stockholders of the company voted on October 17 to liquidate the mill at public auction on December 12 and 13. Stock in process is being run out at the mill, with about half of the employees already laid off as of October 23.

The events leading up to the election and the problems facing the employees and management of the Darlington mill, the union threats and promises stand out as the most important factor.

This was affirmed by personal interviews with workers, Mayor Thomas W. Buchanan and Chamber of Commerce Secretary, Joseph Funderburk. Some affidavits from over a dozen former Darlington workers attested to the fact that union organizers called on them at their homes and repeated statements to the effect that if they failed to vote the union into the mill, management would make their working conditions unbearable, and that there was nothing the mill could do about liquidating or closing the mill once the union was in control.

Again and again in personal interviews with these Darlington workers, many of whom were dismissed from their jobs a day after the liquidation vote, the promises of the union were uppermost in their minds. One card fixer who asked that his name not be used said, "They promised us everything at the union meetings, nothing on paper or anything like that, but

after the election when the mill voted to close, the best they could suggest was that we get individual lawyers and sue the mill for firing us out of our jobs."

"And the union fellows—the big men who spoke to us last Sunday promised that the union would have an investigation." The former Darlington worker was not bitter as he continued to relate the happenings at the Sunday, October 21 meeting, adding "The man (Boyd E. Payton, Southern TWUA Director from Charlotte, N.C.) said the whole union will be used for our best interest. He even said he was going to Washington to fight for us. But that's no good now, for I'm out of my job. I went into work the day after the stockholders' voted to close the mill, last Thursday it was, and I was told I was all through."

Going back a few weeks before the union election took place, it was Mayor Buchanan who told of his talks with several of the mill workers. They outlined to him that the Union was gaining a foothold. Darlington is a small city, a central square where the court house and Federal buildings overshadow the city hall. The mayor has his office in the rear of his jewelry store. While he was being interviewed he had several visits from local business men, the Chamber of Commerce Secretary and the head of one of the local banks. They joined him in the discussion of the mill situation and showed real interest and a full knowledge of the problem. Of course they were interested from an economic standpoint because although the word had been out less than a week that the mill would definitely close, business activity in the town was at a standstill. Stores were empty, the streets were deserted and four policemen were standing together in the square, talking, presumably to keep from being bored.

A gas station operator said business had dropped to half his former volume during the past two weeks and he was not taking any more charge accounts except those guaranteed by the gasoline company. The local savings bank was checking mortgages and payments and although there was not any increase in money withdrawn, there had been a noticeable decrease in deposits over the week-end.

Even the newsstand had papers left over following the first rush a week before to learn if the mill definitely would close. Everywhere the same story was repeated, "if only the union had left our people alone we could have gotten along fine." The man who pumped the gas at the gas station had a wife and mother who were working in the mill. They did not vote for the union but he said, "they have got to suffer along with the rest who listened to the promises of the union fellows."

The greatest resentment seemed to center among those who believed that the Union organizers had "gone too far" in making promises at meetings in trying to convince the workers that a few paid holidays were worth giving up their freedom for union domination. Incidentally the paid holidays seemed to be the only actual offer made by the union other than many promises to do what they could to change the management of the mill.

A worker who voted for the union said, "I had no complaints only that they were going to put in a conveyor to handle the cans from the cards and drop one card hand. That would mean I'd a had to do my card stripping and handle the cans too, with more work for the two card hands running 136 cards. The Union fellow told me if they got the vote he'd keep it the old way of three card hands, and one stripper to the 136 cards with no conveyor. That's why I voted for the union," he concluded.

Of course the union man who was to have made this statement, knew that he could not prevent the installation of more efficient means of transporting card sliver, but it was this type of deceptive promise that showed up throughout the interviews with the various workers.

The lesson to be learned from the problems of Darlington for both management and labor is that the extent to which the union will go to make promises, and also the importance of direct communications between the workers and management which must be specific and flawless. Labor counsellors have repeatedly warned that the most important weapon management holds, to use in warding off unionization, is to make everyone in the mill a part of a team; make them feel a part of the success or failure of the mill in its every operation. The sense of accomplishment of the team can overcome the group or individual promises made by union organizers.

The final lesson to be learned from the Darlington affair is the need for good public relations. Properly operating, year round, public relations contact on a local and national level for large firms, operating in several areas, is of utmost importance. This was indicated again and again in discussions with Darlington officials who decried the utter lack of any attempt of public relations before, during or after the union attempted its move to take over the company.

It seems that the people of Darlington, S.C. have suddenly come face to face with the basic labor management problem: Who is going to manage? We concede that stockholders of a corporation such as the now liquidated Darlington Manufacturing Company, being the proprietors of the company, select the management of the mill and expect that the management shall allocate the job, delegate the wages and sell

goods at a profit. We further contend that the community has a certain responsibility to see that such a co-operative civic climate will exist as to assure the proprietors of the company a fair competitive chance. If the people of Darlington knew anything of the Deering, Milliken record they would know that the management does not intend an unprofitable division nor has it intended to share the prerogatives of management with labor union leaders. This has been the case through three generations of Milliken operations. When the Madison Woolen Mills of Madison, Maine, became not only unprofitable but unionized, Mr. Gerrish Milliken liquidated it, although the Cowan and Farnsworth Mills in the State of Maine still operate and must, therefore, be profitable. When the Dallas Manufacturing Company of Huntsville, Alabama, became unionized, the Millikens liquidated it, contrary to the opinion of many local people that such would not be the case. We ourselves are small shareholders in Darlington and from experience and acquaintanceship, we knew the minute the union election vote was announced that we would receive a call for a special meeting to vote for liquidation. We know something about the effect of mill losses to a community having lived through hundreds of them in the Northeast. On the other hand, as one of the owners of Darlington even though an infinitesimal percentage of those shares is held in our name, we could do nothing other than vote to terminate the operations of the company if management responsibility was going to be shared with the Textile Workers Union of America.

APPENDIX II

Material Omitted by Error from Volume III of Joint Appendix

The following material was inadvertently omitted by the printer from the original bound volumes of the Joint Appendix in the Court of Appeals. It was printed as Appendix II (pp. 1239a through 1239u) to Deering Milliken's Brief to the Court of Appeals.

Hearing at Winston-Salem, N. C.
February 5, 1962

[3743] MINOT K. MILLIKEN was called as a witness by and on behalf of Counsel for General Counsel and, being first duly sworn, was examined and testified as follows:

* * * *

Trial Examiner: Address?

The Witness: 186 E. 64th Street, New York City.

* * *

[3746] Q. Was Mr. Roger Milliken the one that initiated this idea of the merger? A. Mr. Stone, it is hard to say. The discussions took place over a period of time; I can't honestly say that he initiated it or not; I certainly think it would be likely, but I am not certain.

* * *

[3747] Q. Now what was done in this merger; what actually happened; just tell us what the merger accomplished? A. It merged Deering Milliken & Co., Inc. into the Cotwool Manufacturing Company.

Q. What changes were brought about by the merger; actually, in [3748] operation, were the mills run in the same manner? A. The basic change was that the same stockholders, after the merger, owned the assets of the Cotwool Manufacturing Company, which were in part manufacturing divisions, manufacturing entities, and the assets of Deering Milliken Company, which was a function of Deering Milliken, was the selling and factoring functions. Prior to that time, Deering Milliken Company had no manufacturing. I should add at this point, Mr. Stone, that I think you know, of course, that the manufacturing divisions of Cotwool sold their products either through Deering Milliken Company or through its wholly owned subsidiaries, Milliken Woolens.

* * *

[3749] Q. Well, now in the prior—Deering Milliken Co., Inc., you say, was in factoring part of the game, is that right? A. Selling and factoring and other related services, which we tried to render to the mills, yes, sir.

Q. After the merger, Deering Milliken Inc. continues to sell and factor, is that correct? A. Continues; Cotwool became a selling agent for the first time, when it absorbed the selling agency of Deering Milliken & Co.

Q. Its taking the people who were engaged in the selling functions for Deering Milliken Co., Inc.? A. Yes, sir.

Q. Are they continuing to do substantially the same type of work for Deering Milliken Inc. as they did before? A. Yes, sir.

Q. Do they have any added duties or responsibilities? A. Not as a result of the merger.

Q. Not as a result of the merger; all right, taking the people who are engaged in working in Cotwool, that's the manufacturing? A. Yes.

Q. Are their duties substantially the same for Deering Milliken Inc. that they had prior to the merger? A. Yes, sir.

* * *

[3751] Mr. Stone: As I understand it, from the witness' testimony, the name-holding corporation, and the corporation was set up [3752] in 1960 in Delaware, gave up its name and started holding another name, Cotwool.

Trial Examiner: Gave up its name and——

Mr. Stone: Gave up its name, Deering Milliken, Inc., to Deering Milliken Co., Inc., Cotwool Manufacturing Company merged; that was whatever name, Cotwool, and they swapped Cotwool back to the name-holding one and the functioning merged corporation took over the Deering Milliken Inc. as its name.

Trial Examiner: Yes, took over the name; when you said it gave up its name to Cotwool, that suggested to me, at least, that Cotwool was the name that was perpetuated so far as the organization was concerned. You didn't mean that; the name is Deering Milliken Inc. as a successor name, shall we say: or maybe that's not the correct phrase; to Cotwool.

Mr. Stone: Right; Cotwool was what came out of the merger, according to this; and then Cotwool gave its name to the name-holding corporation; and took Deering Milliken, Inc., isn't that correct?

Mr. Schoemer: I think so, yes.

Trial Examiner: All right.

With the agreement of counsel, we are receiving this as evidentury.

Mr. Schoemer: No question about it.

* * *

[3756] Q. Now, you may not have. You state, now, that one of the problems of the merger was administrative problems? A. Yes, sir.

Q. Was this, what were these administrative problems? A. One particular one that comes to mind is that the—let me start again; Deering Milliken receives its income from the mills from which it sells. The commission rates are obviously competitive with other selling houses. The cost of doing business over the years, has gone up, as we all know. We, in the sales organization, believe that we should expand our services to the mills, with the result that the profit margins were reduced, and in fact, in 1958, Milliken Woolens, which sold for certain of the Cotwool mills, was actually receiving insufficient commission income to pay its expenses. Well, this was crazy; I mean, it seems to

those of us who looked into this situation. We suggested, and in fact, an increase in commission was put through; but this was, in a sense, a conflict [3757] of interest between Cotwool and Deering Milliken through its subsidiary corporation, Milliken Woolens.

Q. How would that be a conflict of interest? A. Because the mills, the best way for the mills to make money, is for the selling agency to provide, or I should say, the only way, but the best way is to provide the best possible services to the mill which it represents, and if we increase the functions and expand the activities of the selling organization, it costs money for the selling organization; however, the benefits to be derived accrue to the mills far more than they do to the selling organization.

Q. You may have gone into it; but after the merger, would you tell us how the merger solved this particular problem? A. Well, the expenses of the mills and the expenses of the New York sales office were, with the same company—we are talking about the Cotwool mills—there was no conflict of interest between a Cotwool stockholder versus a Deering Milliken stockholder.

Q. Now, of Deering Milliken & Co., Inc., who determined the scope of the service? A. There is no one person, Mr. Stone. Mr. Roger Milliken, I, the Vice-President in charge of sales, the department heads; I might add that the mill management made suggestions from time to time as to how the selling agency could improve the selling agency; there was a number of people.

* * *

[3758] Q. Referring to the press release, which is General Counsel's Exhibit R-29; I may skip around; but I don't mean to too much; the press release announced the divisional set-up, is that correct? A. Yes, sir, it does.

Q. Prior to the time of this press release, had there not been a divisional set-up in existence as far as Cotwool was concerned? A. Yes, there was some manufacturing divisions of Cotwool, yes.

Q. What change, if any, came as a result of this announced new divisional set-up? A. I'm sure I understand your question?

Q. What happened in December, 1960, to change the set-up as it existed prior to the merger? A. Well, there was no change except that some of the subsidiary corporations of Cotwool, in November I believe it was, or maybe December of 1960, were merged into the parent, if that answers in response to your question.

Q. Mr. Sibley, for example, who was announced to be in charge of one of the divisions, what was his duties prior to the press release announcement? A. The duties of Mr. Sibley prior to November of 1960 was that [3759] he was in charge of manufacturing of the Judson Mills, which was a division of Cotwool; Drayton Mills in Spartanburg; the Hartsville Mill, cotton mill, the Gayley Mill in Marietta, Georgia; I believe the Machias Mill in Machias, Maine, in addition to which he was in charge of manufacturing at the Gerrish Milliken Mill, which is a division of the Packlet Manufacturing Company.

Q. Now, this announcement, when did this divisional set-up actually occur; I mean it was announced in December, but when did it happen? A. It was announced in December, the appointment of officers; the set-up was what it was in June, at the time of the merger.

Q. In other words, June, when you had the merger, you had the divisional set-up? A. Again, that isn't true, because the Excelsior Mills and the Hatch Mill, and maybe

the Kingsley Mill, all of which were wholly-owned subsidiaries of Cotwool, were merged into the parent, on the last day of the fiscal year of 1960.

Q. That would be some time in June? A. No, the last of the fiscal year would be the Sunday nearest November 30th.

Q. The mills that were involved, Excelsior; did they continue to be in the same place as far as manufacturing was concerned? A. We didn't move any buildings.

Q. The buildings stayed there; did the same people have [3760] responsibilities for the operations? A. Yes, sir.

Q. Prior to that time? A. Yes.

Q. Who was that; in Excelsior, for example? A. Mr. Joseph Meehan was in charge of the Excelsior Mill. He was in charge of the Hatch Mill; he was in charge of the Farnsworth Division; and he was in charge of the Kingstree Manufacturing Company.

Q. Now, Mr. Sibley, let's go back to him; did his duties change in any way, in any respect as a result of the new divisional set-up? A. No, I don't believe his duties did; I can't recall that they did.

Q. Did he have anything to do with Packlet? A. Yes.

Q. The cotton division? A. Yes. Oh, no, sir.

Q. But he had the Gerrish Milliken Mill? A. Yes.

Q. Did he continue after this announcement to have the same responsibility at Gerrish Milliken that he had before? A. I believe the answer is yes.

Q. Was that substantially the same responsibility with Gerrish Milliken Mills as he had with the Judson Mills or Kingsley Mills? [3761] Did he have the same responsibility with all of them? A. Yes, I think he testified that he was in charge of those three, as well as Gayley, Hartsville and Drayton. I think I'm correct on that.

Trial Examiner: Its my impression that you told us that he was president of the various mills and in charge, I think, of, not president, but some other title, in charge of Gerrish Milliken, which is a division of Packlet, and with duties with respect to all of those, whether it was president or had another title, similar, would it be similar?

The Witness: Yes, sir, I believe Mr. Sibley was the Vice-President of the Packlet Manufacturing Company, in charge of the Gerrish Milliken Mill.

Q. (By Mr. Stone) Did Packlet have other mills? A. Packlet has other cotton mills, yes.

Q. Who is over those? A. What time are we talking about?

Q. June, 1960. A. I believe this is subject to a check. Mr. Marshall Stone was president, Mr. J. J. Norton was treasurer of the Packlet Manufacturing division, which has mills in Packlet, South Carolina, Gainesville, Georgia and New Holland, Georgia.

Q. Were these other mills attached as administrative mills to any of these divisions that were created in June of 1960? A. Attached to the divisions of Cotwool or Deering Milliken?

[3762] Q. Deering Milliken. A. Indeed not.

Q. How about Gerrish? A. No, there was, it was a division of the Packlet Manufacturing Company.

Q. Which Mr. Sibley continued to—— A. He was in charge of manufacturing.

Q. And his functions were substantially the same as far as Deering Milliken was concerned, as it was for the Judson Mills, is that correct? A. Yes, to the extent that

the mills were somewhat different in the character of the goods that they manufactured. Mr. Sibley was in charge of manufacturing at all of the mills that I have enumerated; and as such, he had the same, or almost identical responsibilities.

Q. Did the method of reports on quantity and orders or anything change after the June, 1960 merger, of these various mills? A. I don't believe so; nothing of a substantial nature. Of course, our sales notes were changed, but that's just the name.

Q. Name only? A. I don't think anything of substance was changed as a result of the merger.

Q. Was there any difference at all in the direction of any [3763] of these mills after the June '60 merger? . . . Well, the Board of Directors was changed, but the officers and the management personnel maintained basically the same functions.

* * *

Q. (By Mr. Stone) Not other mills not included in the ones which are listed here on GC R-29, under the Fine Goods Division, but in addition to Gerrish Milliken, what other mills, what other goods are sold through the Fine Goods Division? A. I believe they are all listed here with the exception of the Gayley Mill Division; Gayley Mill is now a division of Deering Milliken.

[3764] Q. Gayley is a division? A. Its a division of the Excelsior Division of Deering Milliken.

Trial Examiner: Let me get this; I haven't seen the press release, GC 29; Gerrish Milliken Mill is not what?

The Witness: It is a division of the Packlet Manufacturing Company, and not a division of

Deering Milliken, and I need not add that Packlet is not a division of Deering Milliken.

* * *

Q. (By Mr. Stone) Where are the goods for Packlet sold, from which division; are they sold through any division of Deering Milliken Inc? A. The cotton goods are sold in the cotton sales department of Deering Milliken, Inc. and the synthetic goods are sold through the Fine Goods Division, sales division of Deering Milliken.

Q. Packlet's goods are sold through the sales department, the cotton sales department? A. The cotton division, yes.

Trial Examiner: Are you saying, in effect, that the same relationship, or a similar relationship exists now between Deering Milliken, Inc. and Packlet, as existed before the merger, between Deering Milliken, Inc. and some of the other manufacturing mills?

[3765] The Witness: Yes, sir. The relationship is one of selling agent and factor for a textile mill corporation.

Mr. Schoemer: You understand, Mr. Examiner, that before the merger, it was Deering Milliken and Co., Inc.

Trial Examiner: Yes, but the relationship between Deering, as between Deering Milliken & Co., Inc. and various mills, the witness told us about conflict of interest, and so on, but whatever that situation was before the merger appeared to me to be similar, and this was the reason I was asking, similar in relationship between Deering Milliken Inc. and Packlet now.

The Witness: May I state it this way; the relationship between Packlet and Deering Milliken & Co. prior to the merger, is substantially the same as the relationship today between Packlet and Deering Milliken, Inc., and there was never any conflict of interest relating to Packlet before or after the merger.

Trial Examiner: Well, I could ask you why.

The Witness: Because the conflict of interest is only between Cotwool and Deering Milliken & Co., Inc.

Trial Examiner: I see.

The Witness: The Packlet trades, to the best of my knowledge, have not changed in several years, the selling commission, that is.

Q. (By Mr. Stone) Who is over your cotton sales division? A. At the present time?

[3766] Q. Yes, sir. A. Mr. C. R. Clausen is directly responsible for the bulk of the carded cotton sales, and he reports to Mr. J. C. Harris. Both of these gentlemen are Vice-Presidents of Deering Milliken.

Q. When was that division set up? A. Of Deering Milliken and Company; the cotton sales division was set up many, many years ago.

Q. And it continued on as Deering Milliken, Inc.? A. Yes, sir.

Q. Where does Gaffney sell, who handles the sale of Gaffney? A. The bulk of the sales of Gaffney Manufacturing are through the carded cotton department under Mr. Clausen.

Q. How about Monarch? A. The same answer.

Q. How about Laurens? A. Laurens?

Q. Yes. A. Laurens has some production sold through Milliken Woolens.

Q. Would that be under the Woolen Manufacturing Division? A. Under the Woolen Sales Division. I think it's fair to say that the balance is sold by Deering Milliken under Mr. Harris; most of it in the Fine Goods Division.

Q. Mr. Asnip, what was his duties in connection with Laurens? A. He is in charge of manufacturing at Laurens, I don't know what his title is; he has the corporate office at Laurens [3767] Mills.

Trial Examiner: Is it correct to say, generally, that Deering Milliken Inc. has continued the sales functions which were previously performed by Deering Milliken & Co., Inc.?

The Witness: It is, yes, sir.

Q. (By Mr. Stone) Now, who handles the manufacturing, say, for Packlet? A. Mr. J. J. Norton. Are you talking about the cotton divisions?

Q. Yes, sir. A. Mr. Norton.

Q. How about for Gaffney? A. Mr. Alfred New.

Q. How about Monarch? A. Monarch is Mr. W. Sibley; not to be confused with Mr. A. B. Sibley. Mr. Sibley is in charge of Monarch and Monterey plants; Mr. New is in charge of manufacturing of the Lockhart Plant.

Q. Do any other persons, other than Norton, or Packlet, is there anyone like Mr. Sibley or Mr. Asnip, or Mr. Meehan; do any of those gentlemen have anything to do with the manufacturing at Packlet? A. Yes, Mr. Sibley is in charge of the Gerrish Milliken Division.

* * *

[3768] When you say Mr. Sibley, you are referring to Mr. Alan Sibley?

Q. That's right.

It was announced, I believe, that Mr. Sibley would retain his duties as Vice-President of Drayton, Spartanburg, and Hartsville Mill, and the Gerrish Milliken Mill; he did retain his duties at Gerrish Milliken? A. I can't remember exactly, but Mr. Sibley is no longer connected with the manufacturing—is that at Gerrish Milliken? Excuse me.

Q. Yes. [3769] A. Yes, he was, and is.

Q. Has there been any actual change in your selling system; I mean, as far as the selling function of Deering Milliken, Inc. as compared with Deering Milliken & Co., Inc.?

Mr. Schoemer: Do you mean as a result of the merger?

Mr. Stone: As a result of the merger.

The Witness: I believe the answer to that is no. Prior to the merger, there was an increase——

Mr. Schoemer: This couldn't be——

The Witness: The answer is no. I can think of none.

* * *

Q. (By Mr. Stone) Now, as a result of the merger, there were other minor mergers, is that correct? In combination with the merger, you had some other corporations merging into the parent, is that correct? A. In late November, early December, of '60, some of the subsidiaries of Cotwool, then Deering Milliken & Co., Inc., were merged into the parent, Excelsior, Abbeville, Kingsley, Hatch.

Mr. Schoemer: Is that it?

The Witness: I think that's correct.

[3770] Q. (By Mr. Stone) Now, as corporations, they no longer exist, they are—— A. They are now divisions.

Q. Now, Gayley—— A. Gayley was merged into Excelsior and Gayley was a wholly owned subsidiary of Cotwool, and I believe on June 12, 1960, Gayley was merged into Excelsior.

Mr. Schoemer: That's right.

The Witness: Which was another wholly owned subsidiary of Cotwool.

Trial Examiner: Are most of these Delaware corporations?

The Witness: Some are Delaware and some are South Carolina, Mr. Buchanan.

* * *

Q. (By Mr. Stone) The Milliken Yarn also was one of them, is that correct, that was merged into the Deering Milliken, the yarn sales? A. Was that when——

[3771] Q. I believe it was November, 1960. A. All right, yes, sir.

Q. I believe Deering Milliken Export Corporation? A. Yes, sir, those were subsidiaries of Deering Milliken Company, not Cotwool.

Q. Now these corporations that were merged, did they retain their names? A. Yes, in part; they are known as the Excelsior Mill, a division of Deering Milliken, Inc.

Q. What, if any, difference is there in the mode of operations of those mills, as far as control? A. Those mills being, shall we take Excelsior for example?

Q. Yes. A. Basically, none.

Q. In other words, the same reports are made on quality, quantity? A. Oh, yes, this had nothing to do with the practicality of manufacturing.

* * *

[3772] Q. (By Mr. Stone) As far as your administrative problems, which resulted in the merger, what problems did you have, if any, [3773] in regards to operations concerning Packlet? A. None, the administrative problems existed only between Deering Milliken Company and Cotwool.

Q. Didn't you perform or didn't you give the same services to Packlet that you gave to others? A. Yes, but there was no conflict of interest. Where Packlet sold through Deering Milliken & Company or Deering Milliken, Inc. made no difference, as far as stockholders of the two companies were concerned. The problem was the manufacturing divisions of Cotwool, for example, Excelsior, selling through Deering Milliken & Company, the ownership of Cotwool and Deering Milliken & Company not being the same, where we were expanding our services in Milliken Woolens at great cost to Woolens, the large benefits which would be derived by Excelsior, because this was the manufacturing mill. It ceased to be, well, perhaps, equitable would be too strong, but I'll use that word.

Trial Examiner: This isn't quite clear; are you telling us that the manufacturing divisions of Cotwool were not owned by the same people who owned Deering Milliken & Co.?

The Witness: That is true; may I expand my answer?

Trial Examiner: I can understand that. But I don't quite understand how that answers the question you were asked about the absence of the conflict of interest between Deering Milliken and Packlet.

[3774] The Witness: The manufacturing divisions of Cotwool, to which I had reference, were made finished goods which were sold through Milliken Woolens. The Packlet Manufacturing Company, for example, sold no finished goods; it sells only greige goods, manufactures only greige goods. The costs connected with finished goods are far greater; there is an element of styling that is far more important and more costly than the selling of greige goods. It was these costs which were going up over the years, and Milliken Woolens was providing styling, designing, market development, fabric development; I mean Market research, fabric development, and services, at an ever-rising cost. The services were primarily for the benefit of the mills who were manufacturing the finished goods. In this way, we had Corporation "A", Milliken Woolens, paying for the costs, the benefits of which were largely derived by Corporation "B", the Finished Goods Mills which were owned by Cotwool.

Q. (By Mr. Stone) When you use the term "conflict of interest", isn't it true here that the Milliken family owns the controlling interest in these mills, such as Packlet? A. Directly and indirectly?

Q. Right. A. It is true at Packlet, yes.

Q. And they own and control Cotwool in the same manner? A. No, that is really not true, because the Milliken family, [3775] taken as all descendants of my grandfather, it is true, but as I said earlier, my immediate family, with the exception of myself, owned no shares of Cotwool; they did own some stock in Deering Milliken & Company.

Q. Except—if I'm not correct, correct me—except through your ownership in Deering Milliken, Inc. or other corporation, that the Milliken family did own and control Cotwool, is that correct? A. Prior to the merger?

Q. Right. A. No, I'm just testifying that my brother, for example, owned no Cotwool; but it is true, if you call the Milliken family, descendants of my grandfather, which would include my cousins, Roger Milliken, his sisters and brother; the Hatch family, with Mrs. Hatch being my father's sister; it is true that that group of people, and their decendants, did own directly or indirectly control of Cotwool and Deering Milliken.

* * *

[3776] The Witness: They owned the majority of both Deering Milliken Company, and——

Trial Examiner: The majority of shares, of both Deering Milliken Company and Cotwool.

The Witness: But individual ownership by the various descendants was not the same in both corporations.

* * *

[3779] Q. (By Mr. Stone)—when you are speaking, actually, in terms of conflict of interest, what's really, now correct me on this, what you are really saying, you and your close family owned more stock in Deering Milliken Inc. and Company, Inc. at the time, is that correct? A. Yes, sir.

Q. And you didn't own much stock, or any, in Cotwool? A. Yes, sir.

Q. And you didn't own, you may or may not have owned, stock in Packlet? A. That's correct.

Q. Did you own stock in Packlet? A. I personally did, yes. [3780] I think no other member of my immediate family did.

Q. Now, the thing that you are faced with here, as far as conflict, and if I'm wrong, its your testimony and not mine, but the conflict is insofar as the Deering Milliken Company, Inc., it was possibly losing money, or not making as much as it thought it should out of its operation as far as Cotwool is concerned, is that correct? A. That is basically correct.

Q. Because of this added stress on selling and styling and services that you are putting in? A. Yes, sir.

Q. That you are furnishing. Now, you were not furnishing those type of services for Packlet? A. That is correct; we were not.

Q. So you didn't have an imbalance so far as Packlet was concerned, and you didn't consider that you had a conflict of interest; by conflict of interest, you don't think that you are getting quite as much return? A. Well, we didn't have the same problem, that is correct.

Q. But if Packlet had that problem, that your services were outreaching what you were getting out of Packlet, then you would be faced with the same problem that you were being faced with as to Cotwool and Deering Milliken? A. We think something would have to be done in the form of increased commissions or something.

[3781] Q. That's the question, I think we have it clear now on that. As to insurance, do you know whether or not that the same insurance plans that were in effect as far as Deering Milliken & Co., Inc. continued under Deering Milliken, Inc.? A. I believe so.

* * *

[3782] The Witness: May I answer this way; that the merger resulted in no change of the Packlet insurance plan as far as I know.

Q. (By Mr. Stone) In other words, if there was a plan which was by company-wide; or by using my terminology, I mean that would cover all of the mills in Cotwool, Deering Milliken & Co., Inc., and maybe these other mills that continued to be independent; if there is one plan that covered them all, it continued.

Mr. Schoemer: I will object to that on the classic ground that it is a statement of facts not in evidence.

Mr. Stone: My question is a real simple one; was there any change?

Mr. Schoemer: I have no objection to that.

The Witness: I have tried to answer; the insurance coverage in the mills such as Packlet and Monarch, to the best of my ability, best of my knowledge, changed not at all as a result of the merger of Cotwool and Deering Milliken Co.

* * *

[3786] Trial Examiner: Is the correct answer, then, that all former Cotwool Manufacturing mills are now part of Deering Milliken, Inc.?

[3787] Mr. Schoemer: That is correct.

Trial Examiner: As a wholly owned subsidiary or a division?

Mr. Schoemer: Yes, that is correct.

Q. (By Mr. Stone) Is there any difference in the operation of these wholly owned subsidiaries and those mills which are in the division? A. Not by virtue of their being subsidiaries instead of divisions, no.

Q. Substantially the same type of direction in quality control and all that that is used? A. The subsidiary corporations obviously have their own Boards of Directors, and their own officers; but the manufacturing aspects, as I understand it, are, as I understand the division of Deering Milliken would not be different than a wholly owned subsidiary of Deering Milliken.

Q. Is there any difference between one of these Packlet type mills that Mr. Norton has, as far as the operation and one of the mills considered integrated in one of your divisions? A. Let us——

Q. Let's take manufacturing. A. One is a cotton mill and the other is—there are very substantial differences; and the processes and important functions of cotton manufacture versus filament yarn, and let's say, woolen and worsted manufacture.

Q. You have the same system as far as selling, and all these [3788] other aspects? A. The same company sells for the three classifications of mills, assuming that Milliken Woolens is the same company as Deering Milliken for the purpose of this answer.

* * *

Q. Has there been any change since the merger in the hours or conditions of employment at the various mills which are considered to be integrated in your divisions? A. I have no knowledge of none.

Q. How about the vacation plan; so far as you know, there is no change? A. Just recently, I authorized a change in the vacation plan of Deering Milliken, the New York Sales Office; other than [3789] that, I know of no difference.

* * *

Q. How about your settlement policy? A. Settlement policy?

Q. Yes, when you sell some goods, and someone complains, what type of settlement policy do you have on complaints? A. I hope a tough and fair one; it hasn't changed as a result of the merger.

* * *

[3790] Q. (By Mr. Stone) Were there any changes in the purchasing arrangements for your manufacturing mills as a result of the merger? A. None that I can think of.

Q. Was there any change in your type of technical assistance, such as engineering assistance, or anything along that line? As a result of the merger? A. No.

Trial Examiner: What did you call it; technical assistance?

Mr. Stone: Yes.

Q. (By Mr. Stone) And the recruit men, of personnel, is that [3791] system substantially the same now as it was before the merger?

Mr. Schoemer: Would you mind rephrasing it the other way; has there been any change in it as a result of the merger.

The Witness: Not to my knowledge; I know of none.

Q. (By Mr. Stone) Answer me this if you can. Is there any change since the merger, as compared to the type of recruiting——

Mr. Schoemer: I honestly believe, Mr. Examiner, that that takes us in an area laying outside of the present inquiry; however, assuming that we don't get into this too deeply, I will not object to that particular question.

The Witness: I know of none.

* * *

[3792] Mr. Stone: In essence, what has been changed has been the ability to allocate your cost and expenses primarily by [3793] the merger, would that be a fair summary? A. Between Cotwool and Deering Milliken?

Q. (By Mr. Stone) Right. A. Yes, sir.

Q. But as far as operations and all other aspects, it is substantially like it was before the merger? A. Yes.

* * *

[3806] Trial Examiner: I don't recall now that we had that element of detail, or in very great detail, earlier; and I'm referring to Mr. Milliken's testimony this morning, that while—strike the "while"—within the Milliken group, individual interest in the two corporations differed. Now, if I'm in [3807] error in that statement, will you correct me; this is my present impression, for whatever bearing it has on the issues before us. I think we have been told, and I repeat, that if anybody thinks I'm in error, correct me now, if you will, gentlemen, I think we've been told that while there was a controlling interest in both the companies, that is, Deering Milliken & Co., Inc. and Cotwool Manufacturing Corporation, held within the Milliken family or Milliken group; that to repeat, individual interest in the two corporations did differ.

Mr. Stone: I understand that as to certain individuals, one individual might own more in one than he did in the other.

Trial Examiner: That's right.

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